

# ING SPECIAL REPORT

# the cost of waiting

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## Why you should invest in your retirement today.

It's never too early to start saving for retirement. The time is now – especially if you have many years to plan. And, thanks to the benefits of compound interest earnings and savings options wrapped into your employer-sponsored retirement plan, a reasonably small amount put away each month has the potential to be more effective than any “catch-up” savings you can do as you near retirement. So, why are you waiting?

### “How much will I need for a comfortable retirement?”

We're living longer than ever, and can easily expect to spend 30 years of our lives in retirement. Often, we're told that our expenses in retirement won't be what they are in the working years. But that may not be the case. You may find yourself spending more on housing costs (if you plan to migrate to a warmer climate, or move into a community for retirees) and your medical expenses may take up quite a bit of your budget.

Statistics show that retirees' expenses are changing. In 1960, a 70-year-old American spent \$0.71 for every dollar spent by a 30-year-old. As of the 1980s, retirees spent more on the dollar than their working counterparts<sup>1</sup> – and the cost of retirement living is rising.

You should aim to save enough for retirement to help sustain your current lifestyle and (if it's your goal) have enough stashed away to pass on to your family and loved ones once you're gone.

Those things may be hard to plan or consider now, but sooner than you expect, you'll be planning your retirement goals and dreams. If you put off saving today, you may not have the capability to accomplish all you'd like in retirement. Don't wait until the last minute to start saving for what could be one of the biggest financial events of your life.

### Have you enrolled?

The benefits of enrolling in your employer-sponsored retirement plan today may outweigh any concerns you may have for your present budget and current financial needs, and here's why:

- Contributions to your plan are made prior to income tax deductions, which means you're paying less in current taxes from each paycheck and (depending on your contribution percentage) you may not even notice a significant change in the amount you take home.
- Your account grows tax-deferred – you won't pay taxes on your account until you withdraw funds from the plan, which most likely won't be until you retire, and you could be in a lower tax bracket at that time. (Because your employer plans are designed to encourage long-term saving, penalties will likely apply to early – usually before age 59½ – withdrawals.)

For more information on the potential benefits of saving through your employer-sponsored retirement plan, see ING's Special Reports “Missed Opportunity” and “Tax Deferral.”

<sup>1</sup> National Commission on Retirement Policy Fact Sheet, “Demographics are Destiny.”

Over time, your interest earnings become an integral part of your savings capacity and the growth potential of your account.

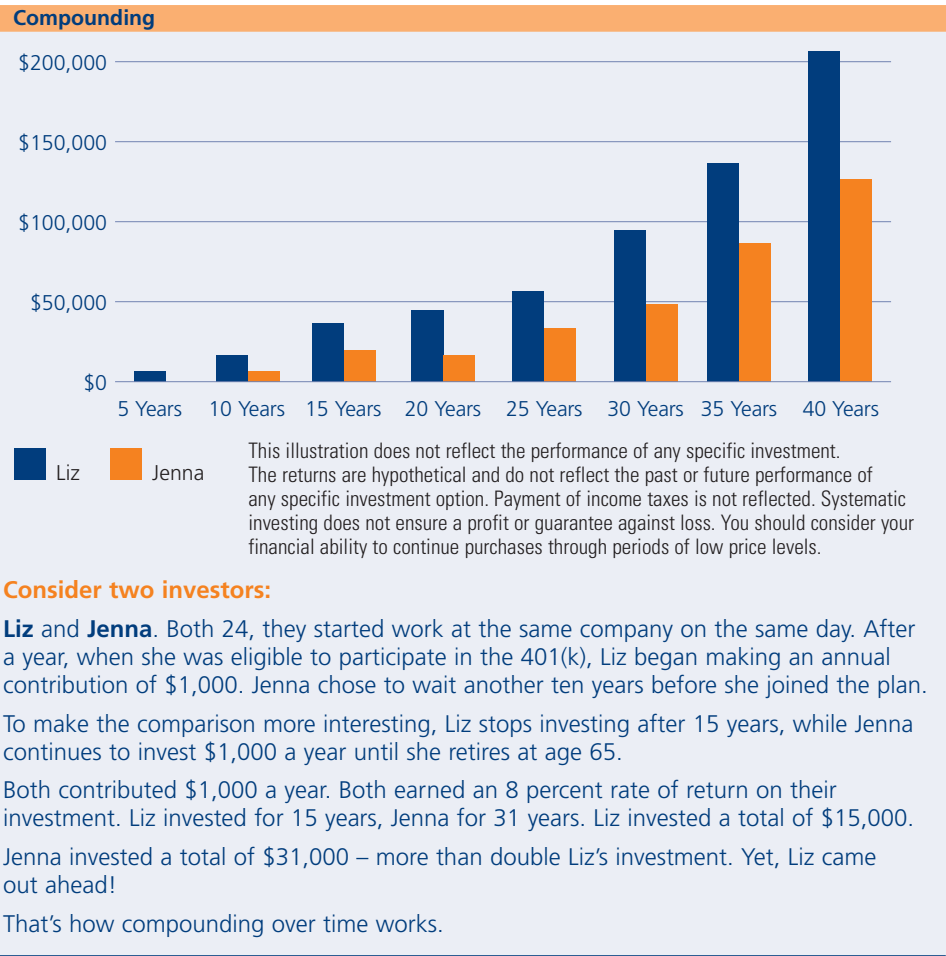
Value of the Retiree’s Dollar

	1960-1961	1972-1973	1984-1985	1987-1990
30-year-old	\$1.00	\$1.00	\$1.00	\$1.00
70-year-old	\$0.71	\$0.82	\$1.07	\$1.18

National Commission of Retirement Policy, [www.csis.org/retire/facts.html](http://www.csis.org/retire/facts.html)

Compound interest

In addition to the amount of principal you stand to lose when you choose to hold off your contributions until the undetermined “tomorrow,” you could also lose out on the benefit of compound interest. Simply – compound interest allows you to earn interest on the money you have invested. Then, that interest earns interest. Over time, your interest earnings become an integral part of your savings capacity and the growth of your account. The longer you wait, the more money you potentially could have saved. And, once you reach retirement age, the last thing you want is the regret of, “I could have saved more.”



The cost of waiting

Now that you’ve seen what compounding can do for even a modest investment, let’s take a look at what happens to your retirement account when you wait to contribute. The following illustration shows just what’s at stake by waiting to invest for your retirement over a number of years.

## Loss by waiting

Beginning Age	Account balance at age 65	Years lost by waiting	Lost Earnings
25	\$702,856	0	\$ 0
30	\$461,835	5	\$241,021
35	\$300,059	10	\$402,797
40	\$191,473	15	\$511,383
45	\$118,589	20	\$584,267
50	\$ 69,669	25	\$633,187
55	\$ 36,833	30	\$666,023
60	\$ 14,793	35	\$688,063

This illustration assumes a \$200 monthly contribution that earns interest at 8%. It does not reflect the performance of any specific investment. The returns are hypothetical and do not reflect the past or future performance of any specific investment option. Payment of income taxes is not reflected. Systematic investing does not ensure a profit or protect against loss. You should consider your ability to invest consistently in up- and down-markets.

As you can see, waiting just 5 years to invest for your retirement may cost you a significant amount of money depending on your investment choices and market conditions.

If you're concerned about the value of the money you'd put away today versus what it can do for your current expenses, know that your investment is far from lost. It's working for you every day.

## What about Social Security?

As if the exponential amounts of additional money you could save (and earn!) by starting your retirement planning early aren't enough incentive to start contributing to your employer-sponsored retirement plan, there's also the future of Social Security to consider.

There's always a lot of brouhaha surrounding how we'll be able to factor Social Security into our retirement income budget. In the past, Social Security has accounted for a third of retirees' income. But, will it be there for you or won't it?

No one can pinpoint an exact date for Social Security's deficit (or be certain that it will run dry), yet, as we stand today concerning the availability of Social Security, you can count on your retirement not being your parents' retirement. Which is why most of today's workforce looks to employer-sponsored retirement plans (most commonly, a 401(k), 403(b) or 457 Deferred Compensation plan) as their nest egg for their retirement years.

Just take a look at the following statistics for an at-a-glance snapshot at what the state of Social Security today means for the future:

- In the 1930s, the ratio of those who collected Social Security to those who were part of the workforce was 12 to 1. Today, the number of retirees collecting Social Security is half of the number of workers in the United States – that's one retiree for every two workers.<sup>2</sup>
- As soon as 2017, tax revenues could fall below program costs, leaving Social Security running deficits.<sup>3</sup>
- Social Security could be bankrupt by 2037.<sup>4</sup>

## How much should I invest in my retirement?

Every individual's investment situation is a little different. However, two of the major factors that go into everyone's retirement investment strategy are age and time horizon for retirement. Most financial advisors suggest that, at a minimum, you should be saving 10 percent of your current income toward retirement.<sup>5</sup>

## What type of plan does your employer offer?

- 401(k)s, used by "for profit" entities – public and private corporations, allowing both employer and employee contributions
- 403(b)s, used by "not-for-profit" employers – usually schools, churches, hospitals and other nonprofit employers, allowing both employer and employee contributions
- 457 Deferred Compensation plans, for governmental employers – local, regional and state

<sup>2</sup> "How Secure is Social Security?" Yahoo Finance, [www.yahoo.com](http://www.yahoo.com)

<sup>3</sup> "Social Security News Release: Social Security Trust Funds: Long-Range Deficits Remain." Social Security Administration, March 26, 2002. <http://www.ssa.gov/OACT>

<sup>4</sup> Social Security Reform Center "Fast Facts"

<sup>5</sup> "How Much Should You Save? How Much Should You Invest?" Finance Classroom: ING Northern Annuity, [www.northernlifetsa.com/classroom.htm](http://www.northernlifetsa.com/classroom.htm)

It's widely recommended to diversify your investment options – you know, don't put all your eggs in one basket – and (even though you can determine how your plan is invested) your employer-sponsored retirement plan isn't the only investment vehicle available to you as a retirement investor. Your ING representative can help you consider your investment options while you determine what product mix is best for you, your retirement and other savings goals.

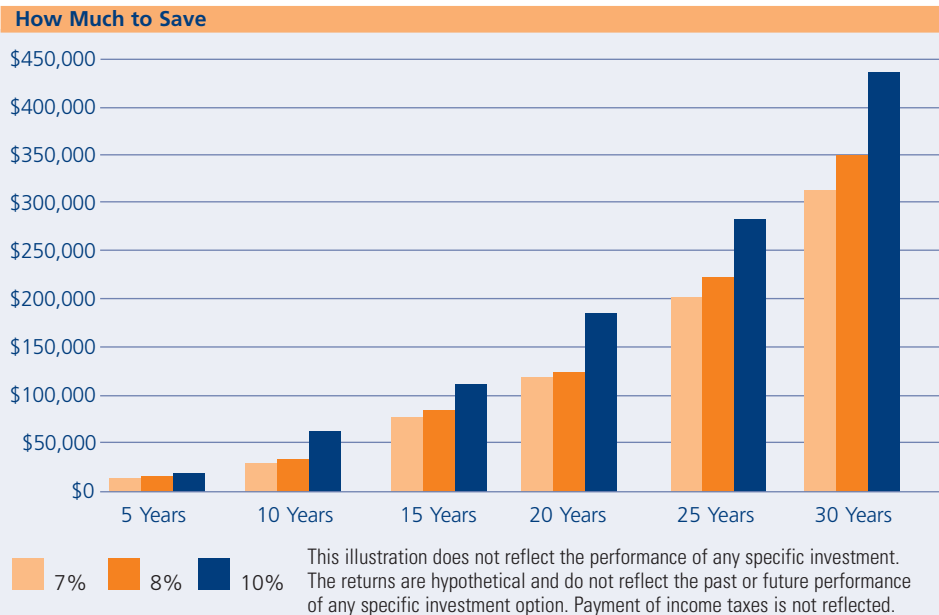
### **"But I already contribute to my employer-sponsored retirement plan."**

If you're already contributing to your employer-sponsored retirement plan, then you're on the right track! But, are you contributing the most you can? Even adding one percent more to your per-pay-period contributions can help make a difference many years down the line when you retire.

And, if you're over the age of 50, thanks to the Economic Growth and Tax Relief Reconciliation Act of 2001 (otherwise known as EGTRRA or Tax Reform), you're eligible to bump up your contributions beyond the standard contribution ceiling to "catch up" on your savings.

If you're younger than 50 and you already contribute the maximum to your employer's plan, but still want to do more for your retirement nest egg, consider opening an IRA, mutual fund, annuity, or (if you have the time to be aggressive with highly volatile investments) invest in the stock market.

A little money invested today could amount to a wealth of savings in the future.



Andrew just began contributing to his employer-sponsored retirement plan. He's 30 years old and his salary is \$35,000 per year. Andrew has chosen to contribute 7% of his yearly income. Take a close look at the illustration of how much he could have saved in 5-year increments, continuing until his retirement at age 60.

If he continues to invest 7% of his salary, he'll have \$306,000 when he withdraws for retirement. But what would happen if he bumped up his contribution by just one percent? At 8%, he'd save almost an extra \$50,000. At 10%, his retirement nest egg would total \$438,000 – that's an extra \$132,000 saved by doing nothing more than putting away a few extra dollars per month that he'd likely not even miss.

This illustration assumes an 8% interest rate. It does not reflect the performance of any specific investment. The returns are hypothetical and do not reflect the past or future performance of any specific investment option. Payment of income taxes is not reflected. This illustration does not include product-related fees and expenses for any specific employer-sponsored retirement plan. If included, these fees would reduce the figures shown above.

**Talk to your ING representative today for more information on this and other investment topics, or visit us on-line any time at [www.ing.com/us](http://www.ing.com/us).**

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